MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations, dated March 10, 2016 of Mood Media Corporation ("Mood Media" or the "Company") should be read together with the attached audited consolidated financial statements and related notes for the year ended December 31, 2015, the audited consolidated financial statements and the related notes for the year ended December 31, 2014, and the Company's annual information form (the "AIF"). Additional information related to the Company, including the Company's AIF, can be found on SEDAR at www.sedar.com. Please also refer to the risk factors identified in the Company's AIF. The fiscal year of the Company ends on December 31. The Company's reporting currency is the US dollar and, unless otherwise noted, all amounts (including in the narrative) are in thousands of US dollars except for shares and per-share amounts. Per share amounts are calculated using the weighted average number of shares outstanding for the period ended December 31, 2015.

This discussion contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements.

As used in this management's discussion and analysis of financial condition and results of operation, the terms the "Company", "we", "us", "our" or other similar terms refer to Mood Media and its consolidated subsidiaries.

The presentation of any information identified as a non-International Financial Reporting Standards ("IFRS") measure throughout this document is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS, and it is presented with the sole purpose of providing readers of this document with relevant information to better assess the company's operating performance.

Forward-Looking Statements

Certain statements in this management's discussion and analysis contains "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this management's discussion and analysis, such statements use such words as "may," "will," "intend," "should," "expect," "expect to," "believe," "plan," "anticipate," "estimate," "predict," "potential," "continue," or the negative of these terms or other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this management's discussion and analysis. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the impact of general market, industry, credit and economic conditions and other risks as described within this document and in the Company's AIF, which can be found at *www.sedar.com*. These forward-looking statements are made as of the date of release of this management's discussion and analysis, and the Company does not assume any obligation to update or revise them to reflect new events or circumstances. In addition, the Company does not provide financial outlooks or future-oriented financial information in this management's discussion and analysis and, accordingly, no forward-looking information or statements should be construed as such.

Overview

We are a leading global provider of in-store audio, visual and other forms of media and marketing solutions in North America and Europe to more than 500,000 commercial locations across a broad range of industries including retail, food retail, financial services and hospitality. We benefit from economies of scope and scale, generating revenue from multiple product and service offerings across more than 40 countries. Our strategy of combining audio, visual and other forms of media has helped our clients enhance their branding, drive impulse purchases of their products and improve the shopping experience for their customers. The breadth and depth of our customizable offerings and the quality of our customer service has helped make us the preferred media and marketing solutions provider to more than 850 North American and international brands. Mood Media's strategy is to combine our media services into a single comprehensive experience solution comprising audio, visual, scent, interactive and similar solutions, to increase penetration of newly developed services, such as visuals, Wi-Fi and mobile, by selling into our large existing client base, and to leverage our leading market positions and solutions portfolio to enhance financial returns.

Our audio solutions emphasize the use of music to create a distinct atmosphere within a commercial environment. By law, the public performance of music in a commercial environment requires specific-use permissions from the relevant copyright owners. Each country has its own legal system and may have specific copyright rules making global and pan-European compliance a complex undertaking. Furthermore, penalties for infringement vary from country to country and can be significant for commercial enterprises that do not comply with the relevant rules. We have worldwide experience and extensive knowledge of the various licensing systems throughout the world. As a music content provider we understand licensing requirements and provide support to our customers to obtain the relevant licenses. We are viewed as an established distribution network by music producers, performance rights organizations and third-party advertisers.

Our visual solutions deliver highly customized content management solutions with a scalable delivery platform to enable retailers to deliver "infotainment", product information and branding messages to their customers at the point-of-purchase. Our visual solutions range from relatively simple applications to large-scale, highly immersive consumer experiences.

Our mobile solutions provide an innovative means for our customers to connect interactively with their consumers via smartphone and other internet-connected devices. Our applications can detect the presence of consumers within the retail environment and deliver customized and specific content, promotions and coupons in order to incentivize purchasing behavior and provide product information. Mood Media's Wi-Fi solution enables retailers to provide broadband connectivity to their customers within the store on a cost-effective basis.

In-store audio, visual and marketing solutions create a communication channel between our clients' brand and their customers at the point-of-purchase. By enhancing the brand experience of our clients' consumers and establishing an emotional connection between our clients and their consumers, these products and services can have an impact on consumer purchasing decisions. We tailor both our media's content and delivery by scheduling specific content to be delivered at a specific time in order to target a specific audience. Our media is broadcast through customizable technology systems, supported by ongoing maintenance and technical support and integrated into our clients' existing IT infrastructure. The tailored content we deliver eliminates the need for our clients to select their own, often repetitive, background media.

In addition to designing and selling a variety of media forms for use in commercial environments, the Company is deploying a series of revenue enhancement measures and integrating acquired businesses into a cohesive unit that can serve premier brands across multiple geographies, as well as, serve local businesses with effective solutions. Our revenue enhancement measures include development of local sales channels, creation of new and compelling technology services and solutions, offering new branded solutions via partnerships with recognized consumer brands, cross selling visual solutions to audio customers, cross-selling flagship visual systems solutions with in-store visual and audio services and expanding into new territories with relatively low penetration of commercial audio and visual solutions.

In the fourth quarter of 2013, the Company began a comprehensive integration program focused on streamlining and simplifying the Company's infrastructure and processes on a global basis with associated benefits to its cost structure. Wave 1 initiatives generated approximately $9 million in annualized savings. Wave 2 and 3 delivered in 2014 nearly $9 million in annualized savings. Additionally, Wave 4 and 5 initiatives to be delivered in 2015 and 2016 are expected to deliver annualized savings of $5-6 million.

Our common shares are listed on the Toronto Stock Exchange (''TSX'') under the trading symbol ''MM''. Prior to March 2, 2015, our common shares were also listed on the AIM Market of the London Stock Exchange ("AIM"). After announcing our intention to de-list Mood Media's common shares from AIM, our common shares were de-listed effective March 2, 2015. Prior to their maturity on October 31, 2015 our 10% convertible unsecured subordinated debentures (the "Convertible Debentures") were listed on the TSX under the trading symbol ''MM.DB.U.''.

Sale of residential Latin America music operations and DMX Canada commercial accounts

The Company completed the sale of its residential Latin America music operations on January 10, 2014 and its DMX Canadian commercial account portfolio on June 27, 2014 each to affiliates of Stingray Digital. The gain recognized on these transactions at December 31, 2014 totaled $5,650 which included an estimate of the fair value of contingent consideration to be recorded depending on the outcome of certain future performance criteria. On December 4, 2015, the contingent consideration was finalized, with the final amounts resulting in a total gain of $4,886.

Refinancing of 2011 First Lien Credit Facilities

On May 1, 2014, the Company refinanced its credit facilities with Credit Suisse, as agent. The new facilities consist of a $15,000 5-year Senior Secured Revolving Credit Facility and a $235,000 Senior Secured 5-year Term Loan (collectively, the "2014 First Lien Credit Facilities"). The new facilities have more favorable financial covenants than the 2011 First Lien Credit Facilities (as such term is defined in the AIF) as well as provisions which permit the Company to use net asset sales proceeds, within defined limits, to repay its Senior Unsecured Notes. In connection with the refinancing, the Company extinguished the liability under the 2011 First Lien Credit Facilities and recognized a loss on extinguishment of $13,512 related to the write-off of deferred financing expenses and other unamortized costs related to the 2011 First Lien Credit Facilities and the fees and costs related to the 2014 First Lien Credit Facilities.

Private Placement of 10% Senior Unsecured Notes by Mood Media Group S.A.

On August 6, 2015 (the "Closing Date"), the Company completed a private placement of $50,000 aggregate principal amount MMG Notes by its wholly owned subsidiary Mood Media Group S.A. ("MMG"). MMG is based in Luxembourg and holds Mood Media International's operations. The MMG Notes are guaranteed by substantially all of MMG's subsidiaries and, in addition, the Company has provided a guarantee of up to $10,000.

Investors in the outstanding Unsecured Convertible Debentures were given the option to irrevocably tender such debentures in exchange for an equivalent amount of principal in the MMG Notes. Of the total MMG Note issuance of $50,000, a total of $18,448 was tendered via outstanding Unsecured Convertible Debentures, and the balance of $31,552 was paid in cash. Upon their maturity on October 31, 2015, proceeds of the issuance of the MMG Notes were used to repay the outstanding Unsecured Convertible Debentures. All parties who subscribed to the MMG Notes received 0.434 Mood Media common share purchase warrants (the "MMG Warrants") for each $1.00 of principal value of MMG Notes acquired. A total of 21,700,000 MMG Warrants were issued with an exercise price of CAD$0.80 and a term of 8 years from date of issue.

The MMG Notes have a prepayment option that allows the Company to redeem the MMG Notes at the outstanding principal at the time plus a premium. This option is considered an embedded derivative. Financing costs associated with the issuance of the MMG Notes totaling $11,094 were deducted from the MMG Notes and will be accreted over the life of the debt.

Summary of Quarterly Results

The following table presents a summary of our unaudited operating results on a quarterly basis. The financial information is presented in accordance with International Financial Reporting Standards ("IFRS").

Period	Revenue	Loss for the period attributable to owners of the parent	Basic and diluted EPS
Q4 – 2015[8]	$125,034	$(41,011)	$(0.22)
Q3 – 2015[7]	118,159	(9,858)	(0.05)
Q2 – 2015[6]	117,668	(2,185)	(0.01)
Q1 – 2015[5]	114,255	(26,968)	(0.15)
Q4 – 2014[4]	127,052	(22,265)	(0.12)
Q3 – 2014[3]	124,137	(20,004)	(0.11)
Q2 – 2014[2]	119,881	(32,670)	(0.18)
Q1 – 2014[1]	122,990	(7,503)	(0.04)

1. The reduction in loss is primarily attributable to the gain on sale of the residential Latin American music operations in addition to the Company realizing some of the effects of Wave 1 cost reduction efforts implemented at the end of 2013.
2. The increase in loss for the period is primarily attributable to the loss on extinguishment of the 2011 First Lien Credit Facilities, the fees and costs associated with the 2014 First Lien Credit Facilities required to be recognized as current period expense, and the negotiated and finalized settlements including other liabilities and legal matters related to DMX and Muzak.
3. The decrease in the loss compared to the prior quarter is due to prior quarter's recognition of the loss on extinguishment of the 2011 First Lien Credit Facility offset by fluctuating foreign exchange rates, primarily the weakening of the Euro on certain foreign subsidiaries' intercompany loans denominated in US dollars rather than their functional currencies.
4. The increase in loss compared to the prior quarter is a result of the recognition of the amended Technomedia contingent consideration earn-out related to the amendment of the applicable securities purchase agreement dated October 7, 2014 and a reduced tax recovery in the current quarter, offset by higher equipment revenues in the current period.
5. The increase in loss compared to the previous quarter is driven by foreign currency exchange rate fluctuations, mainly on intercompany balances payable by foreign subsidiaries to parent company in US dollars, countered by a decrease in transaction and restructuring costs within other expenses.
6. The reduction in loss compared to the previous quarter is due to a positive foreign currency exchange rate fluctuation, mainly on intercompany balances payable by foreign subsidiaries to parent company in US dollars as a result of the strengthening of the Euro against the US Dollar versus the prior quarter end exchange rate. Adding to the reduction in loss for the period is the recognition of income tax recoveries in the period.
7. The increase in loss compared to prior quarter is due to the impact of foreign currency exchange rate fluctuations, mainly on intercompany balances payable by foreign subsidiaries to parent company in US dollars, the impact of the loss in fair value of certain financial instruments and management's best estimate for a settlement of a dispute with various counterparties over the interpretation of certain contractual arrangements.
8. The significant loss for the period is due primarily to the goodwill impairment charge.

Selected Financial Information

Mood Media Corporation

CONSOLIDATED STATEMENTS OF LOSS

For the three months and the year ended December 31, 2015

In thousands of US dollars unless otherwise stated

	Three months ended		Year ended		
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**	**December 31, 2013**
Continuing operations					
Revenue	**$125,034**	**$127,052**	**$475,116**	**$494,060**	**$513,270**
Expenses					
Cost of sales	62,403	58,781	229,946	227,888	233,877
Operating expenses	38,617	39,329	146,783	163,575	175,891
Depreciation and amortization	16,792	18,725	66,648	72,263	69,182
Impairment of goodwill	25,000	-	25,000	-	75,000
Share-based compensation	396	401	1,264	1,392	2,275
Other expenses	3,793	11,588	10,305	28,229	30,791
Foreign exchange loss on financing transactions	6,102	6,679	20,356	17,097	(6,979)
Finance costs, net	13,459	14,687	57,216	70,057	38,279
Loss for the period before taxes	**(41,528)**	**(23,138)**	**(82,402)**	**(86,441)**	**(105,046)**
Income tax credit	(540)	(892)	(2,439)	(4,067)	7,773
Loss for the period from continuing operations	**(40,988)**	**(22,246)**	**(79,963)**	**(82,374)**	**(112,819)**
Discontinued operations					
Loss after tax from discontinued operations	-	-	-	-	(16,419)
Loss for the period	**(40,988)**	**(22,246)**	**(79,963)**	**(82,374)**	**(129,238)**
Net loss attributable to:					
Owners of the parent	(41,011)	(22,265)	(80,022)	(82,442)	(129,549)
Non-controlling interests	23	19	59	68	311
	$(40,988)	**$(22,246)**	**$(79,963)**	**$(82,374)**	**$(129,238)**
Net loss per share attributable to shareholders					
Basic and diluted	$(0.22)	$(0.12)	$(0.44)	$(0.46)	$(0.76)

	December 31, 2015	**December 31, 2014**	**December 31, 2013**
Total assets	$654,516	$740,367	$811,835
Total non-current liabilities	645,073	612,430	649,688

Operating Results

Three months ended December 31, 2015 compared to the three months ended December 31, 2014

Revenue from continuing operations

We report our continuing operations in four reportable segments, ‘‘In-Store Media North America’’, “In-Store Media International”, “BIS” and “Other” for the purposes of reconciliation to the Company’s financial statements.

Revenue from continuing operations for the three months ended December 31, 2015 and December 31, 2014 were as follows:

	Three months ended			
	December 31, 2015	**December 31, 2014**	**Variance**	**% Change**
In-Store Media North America	$64,903	$66,148	$(1,245)	(1.9)%
In-Store Media International	29,392	32,585	(3,193)	(9.8)%
BIS	16,733	15,826	907	5.7%
Other	14,006	12,493	1,513	12.1%
Total Consolidated Group	**$125,034**	**$127,052**	**$(2,018)**	**(1.6)%**

Revenue on a constant dollar basis (a):

	Three months ended			
	December 31, 2015	**December 31, 2014**	**Variance**	**% Change**
In-Store Media North America	$64,903	$66,148	$(1,245)	(1.9)%
In-Store Media International	29,392	28,389	1,003	3.5%
BIS	16,733	13,811	2,922	21.2%
Other	14,006	12,493	1,513	12.1%
Total Consolidated Group	**$125,034**	**$120,841**	**$4,193**	**3.3%**

(a) Revenue on a constant dollar basis is a non-IFRS financial measure. It is calculated by translating the comparative prior period figures denominated in foreign currency at the exchange rate in place in the current period.

Revenue is primarily derived from recurring monthly subscription fees for providing customized and tailored music, visual displays, messaging and other ancillary services through contracts ranging from 2-5 years. Revenue is also derived from equipment and installation fees and royalties.

In-Store Media North America revenue decreased as compared to the three months ended December 31, 2014. The reduction is primarily attributable to a decrease of approximately $1,350 in equipment revenue and $505 in recurring revenue, offset by higher service and installation revenue of $513.

In-Store Media International revenue decreased as compared to the three months ended December 31, 2014, primarily driven by the impact of foreign exchange rates as the Euro has weakened versus the US dollar. On a like for like currency basis, the In-Store Media International revenues for the three months ended December 31, 2015 increased $1,003 as compared to the three months ended December 31, 2014 primarily due to a $1,277 increase in visual equipment and installation revenues that offset a decrease in recurring revenues of approximately $705.

BIS revenue increased as compared to the three months ended December 31, 2014, despite the negative impact of foreign exchange rates as the Euro has weakened versus the US Dollar. On a like for like currency basis, BIS revenues for the three months ended December 31, 2015 increased $2,922 as compared to the three months ended December 31, 2014 primarily due to an increase in sales activity and completion of projects compared to the prior year.

The revenue from the Other segment increased as compared to the three months ended December 31, 2014 due to an increase in sales and completion of Technomedia projects in the current period.

	Three months ended				
	December 31, 2015		December 31, 2014		Change
Revenue	$125,034	100.0%	$127,052	100.0%	$(2,018)
Cost of sales	62,403	49.9%	58,781	46.3%	3,622
Operating expenses	38,617	30.9%	39,329	31.0%	(712)
Depreciation and amortization	16,792	13.4%	18,725	14.7%	(1,933)
Impairment of goodwill	25,000	20.0%	-	0.0%	25,000
Share-based compensation	396	0.3%	401	0.3%	(5)
Other expenses	3,793	3.0%	11,588	9.1%	(7,795)
Foreign exchange loss on financing transactions	6,102	4.9%	6,679	5.3%	(577)
Finance costs, net	13,459	10.8%	14,687	11.6%	(1,228)
Loss for the period before income taxes	**(41,528)**	**(33.2)%**	**(23,138)**	**(18.2)%**	**(18,390)**
Income tax recovery	(540)	(0.4)%	(892)	**(0.7)**%	352
Loss for the period	**(40,988)**	**(32.8)%**	**(22,246)**	**(17.5)%**	**(18,742)**
Net loss attributable to:					
Owners of the parent	(41,011)	(32.8)%	(22,265)	(17.5)%	(18,746)
Non-controlling interests	23	0.0%	19	0.0%	4
	$(40,988)	**(32.8)%**	**$(22,246)**	**(17.5)%**	**$(18,742)**

Cost of sales as a percentage of revenue increased as compared to the three months ended December 31, 2014 by 3.6% primarily due to a reduction of revenue mix attributable to recurring revenues which have a higher gross margin than equipment sales, installation and service revenues.

Operating expenses decreased as compared to the three months ended December 31, 2014 primarily as a result of the impact of foreign currency exchange on its international operating expenses (a reduction of approximately $2,601). On a like for like currency basis, operating expenses increased approximately $1,889 primarily due to higher paid sales commissions and salary expenses.

Depreciation and amortization decreased as compared to the three months ended December 31, 2014 primarily due to a smaller average depreciable base for the three months ended December 31, 2015 compared to the same time last year and the impact in the change in useful lives on depreciable assets, which resulted in lower depreciation for the three months ended December 31, 2015 versus the comparative period.

Impairment of goodwill was recognized as a result of the Company's Mood International segment's carrying value exceeding its recoverable value. The impairment testing was performed in accordance with, and as required by IFRS (for further details refer to section Critical Accounting Estimates). No impairment was taken in the 2014 comparative period.

Share-based compensation expense remained stable as compared to the three months ended December 31, 2014.

Other expenses decreased $7,795 as compared to the three months ended December 31, 2014 due to (i) a $3,500 reduction in the current period of restructuring and integration costs, primarily related to charges for real estate consolidation and higher severance expense in the prior year period; and (ii) a higher expense of $5,250 was recorded in the three months ended December 31, 2014 related to the amended Technomedia contingent consideration earn-out, which in the year over year comparison is partially offset by higher expense related to legal settlements in the current three month period.

Financing costs, net decreased $1,228 primarily due to a gain of $1,654 related to the change in fair value of financial instruments in the three months ended December 31, 2015 compared to a loss of $72 in the comparative period. This was partially offset by higher interest expense in the three months ended December 31, 2015 due to interest on higher average outstanding borrowings on the 2014 First Lien Revolving Credit Facility and higher cash interest paid during the period for a portion of the quarter when both the MMG Notes and the Unsecured Convertible Debentures were outstanding.

Income tax for the three months ended December 31, 2015 was a credit of $540 compared to a credit of $892 in the comparative period. Both quarterly income tax credits have arisen primarily as a result of recognition of deferred tax assets.

Non-controlling interest was a charge of $23, which represents the element of profit of subsidiaries where the Company does not own 100% of the share capital, compared to a charge of $19 in the three months ended December 31, 2014.

Liquidity and Capital Resources

	Three months ended		
	December 31, 2015	**December 31, 2014**	**Change**
Total cash provided by (used in):			
Operating Activities	$32,329	$28,955	$3,374
Investing Activities	(10,207)	(8,287)	(1,920)
Financing Activities	(25,221)	(24,273)	(948)
Effect of exchange rates on cash	(293)	(408)	115
Increase (decrease) in cash equivalents	**$(3,392)**	**$(4,013)**	**$621**

The increase in cash generated from operating activities of $3,374 as compared to the three months ended December 31, 2014 was driven by the change in the following components:

	Three months ended		
	December 31, 2015	**December 31, 2014**	**Higher (Lower)**
Operating cash flows before working capital adjustments (a)	$20,765	$18,161	$2,604
Working capital additions	11,792	12,103	(311)
Cash taxes credited (paid)	(279)	(1,322)	1,043
Interest received	51	13	38
Increase (decrease) in cash from operating activities	**$32,329**	**$28,955**	**$3,374**

(a) Operating cash flows before working capital adjustments is a non-IFRS financial measure and is calculated by adding back to pre-tax loss: depreciation, amortization, impairment, finance costs and other non-cash charges, essentially all line item amounts on the statement of cash flows within the operating activities section prior to working capital adjustments.

The increase in cash used in investing activities is primarily due to increased spending in the three months ended December 31, 2015 related to the purchase of capital assets by $5,020 driven by the Company's replacement of its aging vehicle fleet. This is offset by proceeds of $2,877 related to the finalization of the contingent consideration from the sale of the residential Latin America music operations and the DMX Canadian commercial account portfolio.

The slight increase in cash used in financing activities of $948 compared to the prior period is primarily due to the repayment of the unsecured convertible debentures which exceeded the proceeds from the MMG Notes by $266, higher interest paid of $849 for the portion of Q4 when the Unsecured Convertible Debentures and the MMG Notes were both outstanding, higher average borrowings outstanding under the 2014 Revolving Credit Facility, offset by the absence of costs of settlement of the financing facilities (compared to an expense of $117 in the three months ended December 31, 2014).

Year ended December 31, 2015 compared with the year ended December 31, 2014

Revenue from continuing operations

We report our continuing operations as four reportable segments, ''In-Store Media North America'', "In-Store Media International", "BIS" and "Other" for the purposes of reconciliation to the Company's financial statements.

Revenue from continuing operations for the year ended December 31, 2015 and December 31, 2014 were as follows:

	Year ended			
	December 31, 2015	**December 31, 2014**	**Variance**	**% Change**
In-Store Media North America	$256,858	$266,792	$ (9,934)	(3.7)%
In-Store Media International	113,589	124,733	(11,144)	(8.9)%
BIS	57,468	62,422	(4,954)	(7.9%)
Other	47,201	40,113	7,088	17.7%
Total Consolidated Group	**$475,116**	**$494,060**	**$(18,944)**	**(3.8)%**

Revenue on a constant dollar basis (a):

	Year ended			
	December 31, 2015	**December 31, 2014**	**Variance**	**% Change**
In-Store Media North America	$256,858	$266,792	$ (9,934)	(3.7)%
In-Store Media International	113,589	104,188	9,401	9.0%
BIS	57,468	52,140	5,328	10.2%
Other	47,201	40,113	7,088	17.7%
Total Consolidated Group	**$475,116**	**$463,233**	**$(11,883)**	**2.4%**

(a) Revenue on a constant dollar basis is a non-IFRS financial measure. It is calculated by translating the comparative period figures denominated in foreign currency at the exchange rate in place in the current period.

In-Store Media North America revenue decreased $9,934 as compared to the year ended December 31, 2014. The decrease is attributable to a reduction in recurring revenues of approximately $10,100 which includes a decrease in revenues of $2,200 for the sale of commercial accounts related to the Canadian portfolio sold on June 27, 2014 that are no longer included in our consolidated revenue numbers for the year ended December 31, 2015.

In-Store Media International revenue decreased $11,144 as compared to the year ended December 31, 2014, primarily driven by the impact of foreign exchange rates as the Euro has weakened versus the US dollar. On a like for like currency basis, the In-Store Media International revenues for the year ended December 31, 2015 increased by $9,401 primarily due to an increase in visual equipment and installation revenues which was partially offset by a $2,496 decrease in recurring revenues.

BIS revenue decreased as compared to the year ended December 31, 2014, also primarily due to the impact of foreign exchange rates as the Euro has weakened versus the US dollar. On a like for like currency basis, BIS revenues for the year ended December 31, 2015 increased by $5,328 primarily due to an increase in sales activity and completed projects compared to the prior year.

The revenue from the Other segment increased as compared to the year ended December 31, 2015 due to an increase in sales and completion of the Technomedia projects pipeline when compared to prior year.

	Year Ended				
	December 31, 2015		December 31, 2014		Change
Revenue	**$475,116**	**100.0%**	**$494,060**	**100.0%**	**$(18,944)**
Cost of sales	229,946	48.4%	227,888	46.1%	2,058
Operating expenses	146,783	30.9%	163,575	33.1%	(16,792)
Depreciation and amortization	66,648	14.0%	72,263	14.6%	(5,615)
Impairment of goodwill	25,000	5.3%	-	0.0%	25,000
Share-based compensation	1,264	0.3%	1,392	0.3%	(128)
Other expenses	10,305	2.2%	28,229	5.7%	(17,924)
Foreign exchange loss on financing transactions	20,356	4.3%	17,097	3.5%	3,259
Finance costs, net	57,216	12.0%	70,057	14.2%	(12,841)
Loss for the period before income taxes	**(82,402)**	**(17.3)%**	**(86,441)**	**(17.5)%**	**4,039**
Income tax recovery	(2,439)	(0.5)%	(4,067)	(0.8)%	1,628
Loss for the period	**(79,963)**	**(16.8)%**	**(82,374)**	**(16.7)%**	**2,411**
Net loss attributable to:					
Owners of the parent	(80,022)	(16.8)%	(82,442)	(16.7)%	2,420
Non-controlling interests	59	0.0%	68	0.0%	(9)
	$(79,963)	**(16.8)%**	**$(82,374)**	**(16.7)%**	**$2,411**

Cost of sales as a percentage of revenue increased as compared to the year ended December 31, 2014 by 2.3% due to a reduction of revenue mix attributable to recurring revenues, which have a higher gross margin than equipment sales, installation and service revenues.

Operating expenses decreased $16,792 as compared to the year ended December 31, 2014 primarily as a result of the impact of foreign currency exchange (reduction of $13,785) on its international operating expenses, the recognition of gains on sale of certain fixed assets of $1,699 and on foreign exchange contracts (recognized as a reduction of expense of $970). In 2015, North America, International & BIS all recorded decreases in operating expenses (on a constant currency basis) although this was largely offset by increases at Technomedia on higher sales volumes.

Depreciation and amortization decreased primarily due to an average smaller depreciable base of assets for the year ended December 31, 2015 compared to the prior year and the impact in the change in useful lives on depreciable assets, which resulted in lower depreciation for the year ended December 31, 2015 versus the comparative period.

Impairment of goodwill was recognized as a result of the Company's Mood International segment's carrying value exceeding its recoverable value. The impairment testing was performed in accordance with, and as required by IFRS (for further details refer to section Critical Accounting Estimates). No impairment was taken in 2014.

Share-based compensation expense decreased as compared to the year ended December 31, 2014 due to the company recognizing an additional expense pursuant to a severance agreement in the prior year.

Other expenses decreased $17,924 as compared to the year ended December 31, 2014 driven by a reduction of $23,488 in transaction and restructuring costs and $946 in settlements and resolutions. The overall decrease of $17,924 would have been approximately $22,800 if the gain on sale of the Company's residential Latin America music operations and DMX Canadian commercial accounts portfolio are excluded in both the current and comparative period.

Financing costs, net decreased $12,841 as compared to the year ended December 31, 2014 primarily due to higher gains of $466 gains in the change in fair value of financial instruments in the current period and the recognition of $13,512 of costs related to the refinancing of the 2011 First Lien Credit Facility in the comparative period offset by a $1,426 higher interest expense related to higher average outstanding borrowings under the 2014 Revolving Credit Facility and for the period in which the MMG Notes and the Unsecured Convertible Debentures were both outstanding prior to the October 31 maturity date of the Unsecured Convertible Debentures.

Income tax was a credit of $2,439 for the year ended December 31, 2015 compared to a credit of $4,067 for the year ended December 31, 2014. Both income tax credits have arisen primarily as a result of recognition of deferred tax assets.

Non-controlling interest was a charge of $59, which represents the element of profit of subsidiaries where the Company does not own 100% of the share capital, in the year ended December 31, 2015 compared to a charge of $68 in the year ended December 31, 2014.

	December 31, 2015	**December 31, 2014**	**Change**
Total assets	$654,516	$740,367	$(85,851)
Total non-current liabilities	645,073	612,430	32,643

Total assets decreased as compared to the year ended December 31, 2014 primarily due to an impairment charge to goodwill. In addition, the assets were also reduced due to the scheduled amortization of intangible assets and depreciation on property plant and equipment and the impact of foreign exchange rates on assets denominated in foreign currency, primarily Euro, with the highest impact on goodwill, intangibles and trade and other receivables.

Non-current liabilities increased primarily driven by the issuance of the MMG Notes, offset by scheduled amortization of deferred financing costs, the pay down of the 2014 First Lien Credit Facility of $2,350, and lower deferred tax liabilities, which at December 31, 2014 were $29,624 compared to $23,682 at December 31, 2015.

Liquidity and Capital Resources

	Year ended		
	December 31, 2015	December 31, 2014	Change
Total cash provided by (used in):			
Operating Activities	$85,852	$66,476	$19,376
Investing Activities	(34,401)	(13,335)	(21,066)
Financing Activities	(58,613)	(48,737)	(9,876)
Effect of exchange rates on cash	(1,085)	(1,241)	156
Increase (Decrease) in cash equivalents	**$(8,247)**	**$3,163**	**$(11,410)**

The increase in cash generated from operating activities of $19,376 was driven by the change in the following components:

	Year ended		
	December 31, 2015	December 31, 2014	Higher (Lower)
Operating cash flows before working capital adjustments (a)	$88,313	$70,893	$17,420
Working capital reductions	(2,624)	583	(3,207)
Cash taxes credited (paid)	3	(5,078)	5,081
Interest received	160	78	82
Increase (Decrease) in cash from operating activities	**$85,852**	**$66,476**	**$19,376**

(a) Operating cash flows before working capital adjustments is a non-IFRS financial measure and is calculated by adding back to pre-tax loss: depreciation, amortization, impairment, finance costs and other non-cash charges, essentially all line item amounts on the statement of cash flows within the operating activities section prior to working capital adjustments.

The increase in cash used in investing activities is primarily due to proceeds of $19,515 received in prior year from the sale of the Latin American residential business in January 10, 2014 and the DMX Canadian commercial account portfolio on June 27, 2014 partially offset by proceeds from the finalization of these transactions of $2,877 in 2015. In addition, capital expenditures in 2015 increased by $5,076 as compared to prior year driven by the Company's replacement of its aging vehicle fleet.

The increase in cash used in financing activities of $9,876 compared to the prior period is primarily due to the prior period cash inflow related to the 2014 net increase of approximately $15,340 in borrowings from the 2014 First Lien Credit Facility. The impact of the 2014 increase in borrowings is partially offset by a reduction of debt issuance costs in 2015 to $5,668 related to the issuance of the MMG Notes compared to the $9,373 of costs incurred to settle the 2011 First Lien Credit Facilities and issue the new 2014 First Lien Credit facilities in 2014. Also, 2015 had a net increase in borrowings of $3,384 which include a $6,000 draw under the 2014 First Lien Revolving Credit Facility offset by principal payments of $2,350 on the 2014 First Lien Term Loan and $266 for the amount of Unsecured Convertible Debentures in excess of the proceeds from the MMG Notes. Furthermore, $1,391 higher cash interest was paid during the year on higher average borrowings under the 2014 First Lien Facility and for the portion of the year when both MMG Notes and Unsecured Convertible Debentures were outstanding.

Key Performance Indicators

In the three months ended December 31, 2015, the number of total Company-owned sites increased by 350 relative to the prior quarter. The Company's site base declined slightly in its North American business unit and increased in its International business unit. In North America, the Company grew its number of Visual sites while the number of Audio sites declined. In its International business the number of Audio sites increased while the number of Visual sites decreased.

Monthly churn was 0.9% in the three months ended December 31, 2015 compared with 1.0% in the prior quarter and 0.8% in the comparative quarter of 2014, with Audio churn of 0.9% and Visual churn of 1.4%. Churn improved in its International business unit for its Visual Solutions while Audio churn remained stable. In North America Audio churn rose slightly for both its Audio and Visual Solutions as compared with the prior quarter.

For the three months ended December 31, 2015 blended ARPU declined by 4.8% year over year, which is primarily related to the decline in the value of the Euro relative to the US dollar. On a constant currency basis, blended ARPU declined by 1.2% year-over-year in the three months ended December 31, 2015 with Audio ARPU declining by 1.4% year over year and Visual ARPU rising by 1.4% year over year.

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Audio sites	423,796	418,513	406,139	408,457	402,690	401,428	398,745	398,773
Visual sites	12,997	13,821	13,558	14,061	12,872	13,050	13,437	13,759
Total sites	**436,793**	**432,334**	**419,697**	**422,518**	**415,562**	**414,478**	**412,182**	**412,532**
Audio ARPU	$ 45.35	$ 45.17	$ 44.83	$ 43.09	$ 41.71	$ 41.70	$ 40.97	$ 41.10
Visual ARPU	$ 84.59	$ 85.08	$ 83.60	$ 82.12	$ 78.76	$ 81.93	$ 82.26	$ 75.12
Blended ARPU	**$ 46.50**	**$ 46.40**	**$ 46.09**	**$ 44.37**	**$ 42.90**	**$ 42.96**	**$ 42.29**	**$ 42.24**
Audio gross additions	10,112	6,981	9,279	12,394	8,625	10,136	9,850	10,947
Visual gross additions	478	996	761	685	1,006	698	829	876
Total gross additions	**10,590**	**7,977**	**10,040**	**13,079**	**9,631**	**10,834**	**10,679**	**11,823**
Audio monthly churn	1.1%	1.0%	0.9%	0.8%	1.2%	0.9%	1.1%	0.9%
Visual monthly churn	0.4%	0.4%	1.3%	0.4%	5.2%	1.3%	0.8%	1.6%
Total monthly churn	**1.1%**	**0.9%**	**0.9%**	**0.8%**	**1.3%**	**1.0%**	**1.0%**	**0.9%**

These key performance indicators represent non-IFRS measures that management evaluates and monitors when assessing the performance of the Company. A site is an individual location where a Mood service is provided. ARPU represents the monthly average revenue per site and is calculated by taking total quarterly subscription revenue and dividing it by the average number of sites in the quarter and dividing by three, for each month in the quarter. Churn represents the rate of monthly site disconnects and is calculated by taking the total number of disconnected sites in the quarter divided by the opening balance of sites in the quarter and dividing by, three for each month in the quarter.

Contractual obligations

The following chart outlines the Company's contractual obligations as at December 31, 2015:

Description	Total	Less than one year	Years two and three	Years four and five	Beyond five years
2014 First Lien Credit Facility	$236,888	$8,350	$4,700	$223,838	$-
2014 First Lien Credit Facility interest	53,779	16,369	32,147	5,263	-
9.25% Senior Unsecured Notes	350,000	-	-	350,000	-
9.25% Senior Unsecured Notes interest	161,875	32,375	64,750	64,750	-
MMG Notes	50,000	-	-	-	50,000
MMG Notes Interest	39,167	5,000	10,000	10,000	14,167
Operating leases	37,443	13,558	14,171	5,817	3,897
Finance leases	4,188	2,399	1,789	-	-
Trade and other payables	100,320	100,320	-	-	-
Total	**$1,033,660**	**$178,371**	**$127,557**	**$659,668**	**$68,064**

Bank debt and Note Issuances

	MMG Notes	2014 First Lien Credit Facilities	9.25% Senior Unsecured Notes
Closing date	August 6, 2015	May 1, 2014	October 19, 2012
Maturity date	August 6, 2023	May 1, 2019	October 15, 2020
Interest rate	10%	7%	9.25%
Effective interest rate	12.52%	7.74%	9.46%

Trade and other payables

Trade and other payables arise in the normal course of business and are to be settled within one year of the end of the reporting period.

Lease commitments

Operating leases and finance leases are entered into primarily for the rental of premises and vehicles used for business activities.

Capitalization

Total managed capital was as follows:

	December 31, 2015	December 31, 2014
Shareholders' equity	$(123,735)	$(56,025)
Unsecured convertible debentures	-	50,266
MMG Notes	50,000	-
2014 First Lien Credit Facilities	236,888	233,238
9.25% Senior Unsecured Notes	350,000	350,000
Total Debt (contractual amounts due)	636,888	633,504
Total Capital	**$513,153**	**$577,479**

The number of our outstanding common shares as at December 31, 2015 was 183,694,082. In March, the Company issued 2,300,000 shares in satisfaction of a settlement of an outstanding litigation with PFH Investments Limited. In connection with the issuance of the MMG Notes, the Company entered into a backstop agreement with certain MMG Notes subscribers (the "Backstop Parties") and issued 1,626,963 common shares to the Backstop Parties in satisfaction of the backstop fee.

The following table provides additional share information (in thousands of shares) on a fully diluted basis:

	Three months ended		Year ended	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Basic and diluted net loss per share	$(0.22)	$(0.12)	$(0.44)	$(0.46)

	Outstanding as at March 10, 2016	**Outstanding as at December 31, 2015**
Common shares	183,694	183,694
Share options	13,443	14,143
Deferred share units	3,542	3,542
Muzak Warrants	4,408	4,408
MMG Warrants	21,700	21,700

Management of foreign currency, interest rate, liquidity and credit risk

We are exposed to a variety of financial risks including market risk (including foreign exchange and interest rate risks), liquidity risk and credit risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to evaluate potential adverse effects on the Company's financial performance.

Foreign currency exchange risk

We operate in the US, Canada and internationally. The functional currency of the Company is US dollars. Foreign currency exchange risk arises because the amount of the local currency income, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-US denominated financial statements of our subsidiaries may vary on consolidation into US dollars ("translation exposures").

The most significant translation exposure arises from the Euro currency. We are required to revalue the Euro denominated net assets of the European subsidiaries at the end of each period with the foreign currency translation gain or loss recorded in other comprehensive income. The company also has currency exposure to the extent to which its foreign currency denominated revenues and expenses are translated at fluctuating exchange rates. Foreign currency exchange risk exposure as at December 31, 2015 is discussed further below:

	Sensitivity Analysis / Comments
Segment profit[(a)] of Mood International and BIS	A $0.05 change in the USD/Euro exchange rate would impact the three months and year ended December 31, 2015 net loss by +/- $274 and +/- $894, respectively, assuming all other variables remain the same.
USD denominated intercompany loan	A 1% movement in the USD/Euro exchange rate applied to balance outstanding at December 31, 2015 would result in a change to the foreign exchange gain or loss on intercompany financing transactions of approximately +/- $1,400, assuming all other variables remain the same.

(a) Segment profit is a non-IFRS financial measure, internally known as adjusted EBITDA, a reconciliation of segment profit to loss before income taxes is presented in the Segment information footnote in the condensed consolidated financial statements.

During the year ended December 31, 2015, the Company entered into a series of Euro and AUD average rate forward contracts, as well as a Euro forward contract. These contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by counterparties. Factors used in the determination of fair value include the spot rate, forward rates, estimates of volatility, present value factor, strike prices, credit risk of the Company and credit risk of counterparties. Fair value estimates are subjective in nature, often involve uncertainties and the exercise of significant judgment, they are made at a specific point in time using available information about the financial instrument and may not reflect fair value in the future. The estimated fair value amounts may be materially affected by the use of different assumptions or methodologies.

The following is a table of the Euro and AUD average rate forward contracts the Company. The changes in fair value are included within operating costs. For the three months and year ended December 31, 2015, the amount reflected in operating costs was a credit of $106 and a credit of $970, respectively.

Forward date	**March 31, 2015**		**June 30, 2015**		**September 30, 2015**		**December 31, 2015**	
Reference currency	EUR	AUD	EUR	AUD	EUR	AUD	EUR	AUD
Notional	€3,700	$700	€4,000	$700	€3,800	$700	€5,200	$700
Forward rate	1.1593	0.8002	1.1589	0.7952	1.1598	0.7892	1.1612	0.7822

The following Euro cash remittance forward contract is reflected as a change in fair value included within finance costs, net. The gain reflected in three months and year ended December 31, 2015 was nil and $396 respectively.

Forward date	**April 14, 2016**
Reference currency	EUR
Notional	€4,000
Forward rate	1.1585

Interest rate risk

Our interest rate risk arises on amounts outstanding under the Credit Facilities which bear interest at a floating rate. The 9.25% Unsecured Notes and MMG Notes both carry fixed interest rates. The Credit Facilities carry an interest rate floor which currently exceeds LIBOR and is treated for accounting purposes as a non-cash liability which is disclosed within other financial liabilities in the consolidated statement of financial position. The fair value of the interest rate floor is determined by reference to mark to market valuations performed by financial institutions at each reporting date and any changes in fair value are recorded within finance costs within the consolidated statements of loss.

(*Gain) loss for the change in fair value*	**Three months ended**		**Year ended**	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
2014 Interest rate floor	$(1,779)	$76	$(1,630)	$(927)
2011 Interest rate floor	-	-	-	(584)

Liquidity risk

Liquidity risk arises when cash resources become insufficient to meet cash demands. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet Mood's liquidity requirements at any point in time.

While management believes that the Company has sufficient liquidity in the form of its current cash balances, the cash generating capacity of its businesses, its revolving credit facilities, access to capital markets and ongoing opportunities to divest non-core assets to meet its working capital, debt servicing, capital expenditure and other funding requirements for the forthcoming year, the company's liquidity position can be negatively impacted by the company's existing leverage.

On an ongoing basis management evaluates the sufficiency of its current liquidity, borrowing capacity and capital structure to assure its capital structure is optimally poised to meet the needs of its operating plans. The company monitors the debt and capital markets in an effort to be opportunistic in refinancings of upcoming maturities and to better match terms and pricing to the Company's needs. The Company has implemented significant cash improvement initiatives that it believes will improve its ability to generate enhanced cash flow in the future, including the formation of a senior cash flow working group, implementation of enhanced controls and other key operational improvements. Further, Mood initiated an ongoing program to opportunistically divest non-core assets, commencing with the sale of its Latin American business in January 2014 followed by the sale of its DMX Canada accounts in June 2014.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. We assess the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management also monitors payment performance and the utilization of credit limits of customers.

Critical Accounting Estimates

Described below are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. We based our assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond our control. Such changes are reflected in the assumptions when they occur.

Share-based compensation

We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rates and making assumptions about them. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in note 20 of the Company's annual financial statements.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration is considered a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Income taxes

Tax regulations and legislation, and the interpretations thereof in the various jurisdictions in which we operate, are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are recognized to the extent that it is probable that the deductible temporary differences will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including: an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings, the availability of cash flow to offset the tax assets when the reversal occurs and the application of tax laws. To the extent that the assumptions used in the recoverability assessment change, there may be a significant impact on the consolidated financial statements of future periods.

Contingencies

Contingencies, by their nature, are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgment including assessing whether a present obligation exists and providing a reliable estimate of the amount of cash outflow required in settling the obligation. The uncertainty involved with the timing and amount at which a contingency will be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

Inventory obsolescence

Our obsolescence provision is determined at each reporting period and the changes are recorded in the consolidated statements of income (loss). This calculation requires the use of estimates and forecasts of future sales. Qualitative factors, including market presence and trends, strength of customer relationships, as well as other factors, are considered when making assumptions with regard to recoverability. A change in any of the significant assumptions or estimates used could result in a material change to the provision.

Property and equipment

We have estimated the useful lives of the components of all property and equipment based on past experience and industry norms and we depreciate these assets over their estimated useful lives. We assess these estimates at least at each financial year-end and, if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the useful life is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with IAS 8, *Accounting Policies,*

Changes in Accounting Estimates and Errors. Rental equipment installed at customer premises includes costs directly attributable to the installation process. Judgment is required in determining which costs are considered directly attributable to the installation process and the percentage capitalized is estimated based on work order hours for the year.

Impairment of long-lived assets

Long-lived assets primarily include property and equipment and intangible assets. An impairment loss is recognized when the carrying value of the cash-generating unit ("CGU"), which is defined as a unit that has independent cash inflows, to which the asset relates, exceeds the CGU's fair value, which is determined using a discounted cash flow method. We test the recoverability of our long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While we believe that no provision for impairment is required, we must make certain estimates regarding profit projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in charging future results with an impairment loss.

Goodwill and indefinite-lived intangible assets

We perform asset impairment assessments for indefinite-lived intangible assets and goodwill on an annual basis or on a more frequent basis when circumstances indicate impairment may have occurred. Under IFRS, we selected October 1 as the date when to perform the annual impairment analysis. Impairment calculations under IFRS are done at a CGU group level. Goodwill is allocated to a cash generating unit ("CGU") or group of CGUs for the purposes of impairment testing based on the level at which senior management monitors it, which is not larger than an operating segment. The identification of CGUs involves judgment and is based on the lowest level at which senior management monitors operations.

The testing for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset, CGU or group of CGU's to the carrying value. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU of which it belongs. The recoverable amount calculations use a discounted cash flow model derived from a five year forecast. The recoverable amount is sensitive to the discount rate used for the model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Disclosure Controls and Internal Controls over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design of the Company's Disclosure Controls and Procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")). The CEO and CFO are also responsible for the design of the Company's Internal Controls over Financial Reporting (as defined by NI 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO have designed, or have caused to be designed, disclosure controls and procedures and internal controls over financial reporting. These controls have been evaluated and it has been determined that their design and operation provide reasonable assurance as to their adequacy and effectiveness as of, and for the three months ended December 31, 2015.

These controls were evaluated using the framework established in "Internal Control – Integrated Framework" (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework).

In designing such controls, it should be recognized that due to inherent limitations in any control system, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Risk Factors

If the Company is unable to generate demand for managed media services, its financial results may suffer

The Company's current business plan contemplates deriving revenue from customers that value professional media services that are available for sale in-store or broadcast in-store. The Company's ability to generate such revenues depends on the market demand for its media content and its ability to provide a robust service that delivers a return on investment.

Mood's customers may choose to terminate their relationship with the Company or reduce their spending of Mood's services, which could have a material adverse effect on its financial condition and results of operations. The Company depends on a large portion of its revenues being derived from the continued spending by its clients on in-store media services. Mood's top clients for such services typically have lengthy tenures. However, should clients decide to stop using or to reduce their expenditures on in-store media or decide to terminate their agreements with Mood and to use one of its competitors, the Company would lose subscription income which will have an adverse effect on its financial position.

The Company faces intense competition from its competitors that could negatively affect its results of operations

The Company has different competitors in its local geographies but very few that operate across international markets. Some of these local competitors offer services at a lower price than what the Company offers in order to promote their services and gain share. If these competitors are able to leverage such price advantages, it could harm the Company's ability to compete effectively in the marketplace. Furthermore, there is a threat of new entrants to the competitive landscape, including traditional advertisers and media providers as well as start-up companies. The growth of social media could facilitate other forms of new entry that will compete with the Company.

The Company also competes with companies that are not principally focused on providing business music services. Such competitors include Sirius XM Satellite Radio, webcasters and traditional radio broadcasters that encourage workplace listening, video services that provide business establishments with music videos or television programming, and performing rights societies that license business establishments to play sources such as streaming music, CDs, MP3 files and satellite, terrestrial and internet radio.

The Company competes on the basis of service, the quality and variety of its music programs, additional service offerings and, to a lesser extent, price. Management believes that the Company can compete effectively due to the breadth of its in-store media. While management believes that the Company competes effectively, the Company's competitors have established client bases and are continually seeking new ways to expand such client bases and revenue streams. As a result, competition may negatively impact the Company's ability to attract new clients and retain existing clients.

The Company's success will depend, in part, on its ability to develop and sell new products and services

Mood's success depends in part on the ability of its personnel to develop leading-edge media products and services and the ability to cross sell audio, visual, mobile, social and scent marketing to existing clients. The Company's business and operating results will be harmed if it fails to cross sell its services and/or fails to develop products and services that achieve widespread market acceptance or that fails to generate significant revenues or gross profits to offset development and operating costs. Mood may not successfully identify, develop and market new products and service opportunities in a timely manner. The Company also may not be able to add new content or services as quickly or as efficiently as its competitors, or at all. If the Company introduces new products and services, it may not attain broad market acceptance or contribute meaningfully to its revenues or profitability. Competitive or technological developments may require the Company to make substantial, unanticipated investments in new products and technologies, and it may not have sufficient resources to make these investments.

The Company's success will depend, in part, on its ability to attract and retain human capital

Although Mood has been successful in recruiting and retaining qualified employees to date, there can be no assurances that Mood will continue to attract and retain the human capital needed for its business. Competition for human capital remains robust, and meeting the salary expectations of recruits can be challenging. Mood's ability to offer meaningful wage increases and long term incentives is currently constrained and could impact both recruiting and retention.

The Company's IT infrastructure can be challenged by Mood's unique operating requirements and evolving business processes

Following the implementation of Mood's ERP system in North America, we continue to update and refine our information technology systems throughout the organization. The implementation of information technology solutions involves process changes which carry the risk of business disruption, failure to achieve expected business benefits, and ineffective design and operation of the Company's internal control over financial reporting. Any disruption to these systems or the failure of these systems to operate as expected would, depending on the magnitude of the problem, adversely impact the Company's results of operation by disrupting the Company's ability to effectively monitor and control operations.

The Company's use of open source and third party software could impose unanticipated conditions or restrictions on its ability to commercialize its solutions

While Mood has developed its own proprietary software and hardware for the delivery of its media solutions, it may be restricted under existing or future agreements from utilizing certain licensed technology in all of the jurisdictions and/or industry sectors in which it operates. Failure to comply with such restrictions may leave the Company open to proceedings by third parties and such restrictions may, if alternative technology is not available, affect its ability to deliver services in such jurisdictions, in such case resulting in an adverse effect on the Company's financial position.

The Company's suppliers may choose to terminate their relationship with the Company, which could have a material adverse effect on the Company's financial condition and results of operations

Mood has licensing arrangements with suppliers of satellite services which are used in the delivery of content to its customers. If such licensing arrangements were terminated and alternative arrangements were not available, this would affect the Company's ability to deliver services resulting in an adverse effect on its financial or trading position.

The Company depends upon suppliers for the manufacture of its proprietary media players, and the termination of its arrangements with these suppliers could materially affect its business

Mood relies on suppliers to manufacture its proprietary media players. In the event these agreements are terminated, management believes that they will be able to find alternative suppliers. If they are unable to obtain alternative suppliers on a timely basis, or at all, or if the Company experiences significant delays in shipment, Mood may be forced to suspend or cancel delivery of products and services to new accounts which may have a material adverse effect upon its business. If the Company is unable to obtain an adequate supply of components meeting Mood's standards of reliability, accuracy and performance, the Company would be materially and adversely affected.

Failure to continue to generate sufficient cash revenues could materially adversely affect Mood's business

The Company's ability to be profitable and to have positive cash flow is dependent upon its ability to maintain and locate new customers who will purchase the Company's products and use its services, and its ability to continue to generate sufficient cash revenues. Mood presently generates the majority of its revenue in the United States and Europe, and its customers can be affected by economic difficulties. The Company's revenues could also be affected by bankruptcies or rationalization of a portion of its existing client base. A material reduction in revenue would negatively impact its financial position.

If the Company's revenue grows more slowly than anticipated, or if its operating expenses are higher than expected, the Company may not be able to sustain or increase profitability, in which case Mood's financial condition will suffer and its value could decline. Failure to continue to generate sufficient cash revenues could also cause the Company to go out of business.

If the Company is unable to access additional equity or debt financing at a reasonable cost, it could affect its performance

Given the sensitivity of capital markets worldwide, there is a risk that the Company may not be able to obtain additional equity or debt financing that it may require for capital deployment or to refinance its debt when it is due. If the realization of various risk factors results in poor financial performance it may make capital markets more difficult to access or closed completely to the Company for debt and equity financing and the Company could go out of business.

The Company is highly leveraged and is reliant on maintaining its debt facilities

The Company has debt and owes money to creditors including banks and holders of notes. Such debt may be secured against the Company's assets or guaranteed by certain of the Company's subsidiaries and is subject to certain covenants being met. These covenants could reduce the Company's flexibility in conducting its operations and may create a risk of default on its debt if the Company cannot satisfy or continue to satisfy these covenants. Should the Company fail to satisfy or continue to satisfy its covenants and if its debt is accelerated or required to be redeemed, the Company will need to find new sources of finance or else cede ownership of some or all of its assets which may have a material adverse effect on the business of the Company. A portion of the Company's credit facilities bear interest at floating interest rates and, therefore, are subject to fluctuations in interest rates. Interest rate fluctuations are beyond the Company's control and there can be no assurance that interest rates will not have a material adverse effect on the Company's financial performance. The Company may also issue Common Shares to refinance some of its indebtedness. Issuances of a substantial number of additional Common Shares may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Common Share.

Liquidity risk

Liquidity risk arises when cash resources become insufficient to meet cash demands. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet Mood's liquidity requirements at any point in time.

While management believes that the Company has sufficient liquidity in the form of its current cash balances, the cash generating capacity of its businesses, its revolving credit facilities, access to capital markets and ongoing opportunities to divest non-core assets to meet its working capital, debt servicing, capital expenditure and other funding requirements for the forthcoming year, the company's liquidity position can be negatively impacted by the company's existing leverage.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets.

Integration risks

Making strategic acquisitions and business combinations has been a significant part of Mood's historical growth. The Company completed the acquisition of Technomedia in December 2012, ICI in October 2012, BIS in May 2012, DMX in March 2012, and Muzak in May 2011, with the expectation that these acquisitions would result in strategic benefits, economies of scale and synergies. Management commenced a comprehensive integration and synergy program in the fourth quarter of 2013 and these integration activities are expected to continue throughout 2016. The anticipated benefits and synergies will depend on the Company's ability to integrate the operations in an efficient and effective manner. It is possible that this may not occur as planned, or that the financial and other benefits may be less than anticipated. In addition, management believes that the integration will give rise to restructuring costs and charges, and these may be greater than currently anticipated. Furthermore, the contracts governing the Company's recent acquisitions do include, and the contracts governing the Company's future business combinations and/or acquisitions may include, post-closing purchase price adjustments that require it to make additional payments to the relevant selling party post-closing and such payments could be greater than anticipated. The integration of the Company's ERP systems presents a risk to the Company and requires resources to accomplish, including capital expenses and personnel time.

Additionally, failure to properly integrate these acquisitions will leave the Company less able to operate as a consolidated whole and may lead to depressed revenue and margin performance. This integration is ongoing and requires dedication and substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in loss of key employees and the disruption of the ongoing business, customer and employee relationships that may adversely affect Mood's ability to achieve the anticipated benefits of the acquisitions. Furthermore, the operating results and financial condition of the Company could be materially adversely impacted by the focus on integration.

Foreign currency exchange risk

Mood operates in the United States, Canada and internationally. The functional currency of the Company is U.S. dollars and a significant number of its transactions are recorded in U.S. dollars and Euros. Foreign currency exchange risk arises because the amount of the local currency income, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates ("transaction exposures") and because the non-U.S. denominated financial statements of the Company's subsidiaries may vary on consolidation into U.S. dollars ("translation exposures").

The most significant translation exposure arises from the Euro currency. The Company is required to revalue the Euro denominated net assets of the European subsidiaries at the end of each period with the foreign currency translation gain or loss recorded in other comprehensive income. The Company also has currency exposure to the extent to which its foreign currency denominated revenues and expenses are translated at fluctuating exchange rates. This affects reported results in the Company's U.S. dollar denominated Consolidated Statements of Loss and its Consolidated Statements of Cash Flows.

The Company is taxable on its worldwide income both in Canada and the United States, which could, in certain circumstances, have a material adverse effect on the Company

The Company is a resident in Canada for purposes of the Income Tax Act (Canada) and management believes that it will continue to be treated as a domestic corporation in the United States under the U.S. Internal Revenue Code 1986, as amended. As a result, Mood (but not its subsidiaries) is generally taxable on its worldwide income in both Canada and the United States (subject to the availability of any tax credits and deductions in either or both jurisdictions in respect of foreign taxes paid by Mood). The Company's status of being taxable on its worldwide income both in Canada and the United States could, in certain circumstances, have a material adverse effect on the Company.

As a result of the Company being resident in both Canada and the United States, withholding taxes of both Canada and the United States will be relevant to the Company's security holders and could, in certain circumstances, result in double taxation to certain investors and other consequences.

The Company does not expect to pay dividends and there are potential adverse tax consequences from the payment of dividends on the Common Shares

The Company has not paid any cash dividends with respect to its Common Shares, and it is unlikely that it will pay any dividends on the Common Shares in the foreseeable future. However, dividends received by shareholders could be subject to applicable withholding taxes and the Company recommends that such shareholders seek the appropriate professional advice in this regard.

The Company may not have the financial or technological resources to adapt to changes in available technology and its clients' preferences, which may have a negative effect on the Company's revenue

Mood's product and service offerings compete in a market characterized by rapidly changing technologies, frequent innovations and evolving industry standards. There are numerous methods by which existing and future competitors can deliver programming, including various forms of recorded media, direct broadcast satellite services, wireless cable, fiber optic cable, digital compression over existing telephone lines, advanced television broadcast channels, digital audio radio service and the internet. Competitors may use different forms of delivery for the services that the Company offers, and clients may prefer these alternative delivery methods. Mood may not have the financial or technological resources to adapt to changes in available technology and its clients' preferences, which may have a negative effect on the Company's revenue.

The Company cannot provide assurance that the Company will be able to use, or compete effectively with competitors that adopt, new delivery methods and technologies, or keep pace with discoveries or improvements in the communications, media and entertainment industries. Mood also cannot provide assurance that the technology it currently relies upon will not become obsolete.

The Company pays royalties to license music rights and may be adversely affected if such royalties are increased

The Company pays performance royalties to songwriters and publishers through contracts negotiated with performing rights societies such as The American Society of Composers Authors and Publishers ("ASCAP") and Broadcast Music, Inc., and publishing or mechanical royalties to publishers and collectives that represent their interests, such as The Harry Fox Agency—a collective that represents publishers and collects royalties on their behalf.

If performance or mechanical royalty rates for music are increased, there can be no assurance that the Company will be able to pass through such increased rates to its customers. As a result, Mood's results of operations and financial condition may be adversely affected.

Mood also secures rights to music directly from songwriters. There is no assurance that it will be able to secure such rights, licenses and content in the future on commercially reasonable terms, if at all. Limitations on the availability of certain musical works may result in the discontinuance of certain programs, and as a result, may lead to increased client churn.

The market for acquiring rights from content owners is competitive. The Company faces competition in its pursuit to acquire additional content, which may reduce the amount of music content that it is able to acquire or license and may lead to higher acquisition prices. The Company's competitors may from time to time offer better terms of acquisition to content owners. Increased competition for the acquisition of rights to music recordings may result in a reduction in operating margins and may reduce the Company's ability to distinguish itself from its competitors by virtue of its music library.

In the event of a material change in the commercial landscapes related to public performance, mechanical rights and/or label rights, including the introduction of new rights organizations, there is no assurance that Mood will be able to secure or modify such rights, licenses and content in the future on commercially reasonable terms, if at all. Such material change may result in increased costs or reduced access to content, which may also result in an adverse effect on Mood's results of operations and financial condition.

Further, the Company's results may be adversely affected if there is reform in the United States or European copyright laws or music industry practices.

Costly and protracted litigation may be necessary to defend usage of intellectual property

The Company may become subject to legal proceedings, claims and audits in relation to its business. In particular, while management believes that it has the rights to distribute the musical works and sound recordings used in connection with the Company's business, it may be subject to copyright infringement lawsuits for selling, performing or distributing musical works and sound recordings if a copyright owner takes the position that it does not have the rights to do so. Alternatively, the Company may be subject to audits or other claims for unpaid or underpaid royalties. Results of audits and legal proceedings cannot be predicted with certainty. Regardless of the Company's merits, defense, litigation, arbitration and/or mediation of such claims may be both time-consuming and disruptive to its operations and cause significant expense and diversion of management attention.

If the current owners with which the Company contracts do not have legal title to the digital rights they grant the Company, the Company's business may be adversely affected

The Company's acquisition, distribution and license agreements with content owners contain representations, warranties and indemnities with respect to the rights granted to them. If the Company were to acquire and sell, perform or distribute musical works and sound recordings from a person or entity that did not actually own such rights and the Company was unable to enforce on the representations, warranties and indemnities made by such person, the Company's business may be adversely affected.

The Company must be capable of responding to an evolving music industry
The Company sells digital music on a subscription basis based on the quality and quantity of its music selections, its ability to efficiently distribute Mood's content, its ability to provide copyright compliant solutions, its ability to meet the branding requirements of the Company's customers and in the context of the pricing of Mood's competitors in the industry. The Company has limited ability to influence the pricing models of the commercial music industry. There is no assurance that publishers, record labels or other rights holders will not attempt to change the pricing structure in the future that could result in lower pricing or tiered pricing that could reduce the amount of revenue the Company receives or result in higher costs to the Company that it may not be able to pass through to its customers. In addition, consumer streaming companies offer substantial music libraries and features to retail consumers and could conceivably seek to monetize their brands by offering copyright compliant music to commercial enterprises. The rising ubiquity of IP connectivity and improvements in streaming technologies also presents the risk that new competition could arise within the Company's industry thereby altering the competitive landscape and presenting risks to Mood's pricing.

Piracy is likely to continue to negatively impact the potential revenue of the Company

The music industry continues to be subject to unauthorized distribution and/or copying of content without an economic return to any parties in the industry. Global piracy is a significant threat to the entertainment industry generally and to the Company. Unauthorized copies and piracy have contributed to the decrease in the volume of legitimate sales of music and video content and services and have put pressure on the price of legitimate sales. This may result in a reduction in the Company's revenue.

Possible infringement by third parties of intellectual property rights could have a material adverse effect on the Company's business, financial condition and results of operations

Mood distributes music content to business music consumers via proprietary media players. The Company cannot be certain that the steps it has taken to protect its intellectual property rights will be adequate or that third parties will not infringe or misappropriate its proprietary rights. To protect the Company's proprietary rights, Mood depends on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties and protective contractual provisions. These efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology. These efforts also may not prevent the development and design by others of products or technologies similar to, competitive with or superior to those developed by the Company. Any of these results could reduce the value of the Company's intellectual property. In addition, any infringement or misappropriation by third parties could have a material adverse effect on Mood's business, financial condition and results of operations.

The Company may be liable if third parties misappropriate its users' and customers' personal information

Third parties may be able to hack into or otherwise compromise Mood's network security or otherwise misappropriate its users' personal information or credit card information. If the Company's network security is compromised, it could be subject to liability arising from claims related to, among other things, unauthorized purchases with credit card information, impersonation or other similar fraud claims or other misuse of personal information, such as claims for unauthorized marketing purposes. In such circumstances, the Company also could be liable for failing to provide timely notice of a data security breach affecting certain types of personal information in accordance with the growing number of notification statutes. Consumer protection privacy regulations could impair Mood's ability to obtain information about its users, which could result in decreased advertising revenues.

Mood’s network also uses “cookies” to track user behavior and preferences. A cookie is information keyed to a specific server, file pathway or directory location that is stored on a user’s hard drive or browser, possibly without the user’s knowledge, but is generally removable by the user. The Company uses information gathered from cookies to tailor content to users of its network and such information may also be provided to advertisers on an aggregate basis. In addition, advertisers may themselves use cookies to track user behavior and preferences. A number of internet commentators, advocates and governmental bodies in the United States and other countries have urged the passage of laws directly or indirectly limiting or abolishing the use of cookies. Other tracking technologies, such as so-called “pixel tags” or “clear GIFs”, are also coming under increasing scrutiny by legislators, regulators and consumers, imposing liability risks on the Company’s business. In addition, legal restrictions on cookies, pixel tags and other tracking technologies may make it more difficult for Mood to tailor content to its users, making the Company’s network less attractive to users. Similarly, the unavailability of cookies, pixel tags and other tracking technologies may restrict the use of targeted advertising, making the Company’s network less attractive to advertisers and causing Mood to lose significant advertising revenues.

Government regulation of the internet and e-commerce is evolving and unfavorable changes could harm the Company’s business

The Company is subject to general business regulations and laws, as well as regulations and laws specifically governing the internet and e-commerce. Existing and future laws and regulations may impede the growth of the internet or online services. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property ownership, libel, and personal privacy apply to the internet and e-commerce. Unfavorable regulations and laws could diminish the demand for Mood’s products and services and increase its cost of doing business.

The locations of the Company’s users expose it to foreign privacy and data security laws and may increase the Company’s liability, subject it to non-uniform standards and require it to modify its practices

Mood’s users are located in the United States and around the world. As a result, the Company collects and processes the personal data of individuals who live in many different countries. Privacy regulators in certain of those countries have publicly stated that foreign entities (including entities based in the United States) may render themselves subject to those countries’ privacy laws and the jurisdiction of such regulators by collecting or processing the personal data of those countries’ residents, even if such entities have no physical or legal presence there. Consequently, the Company may be obligated to comply with the privacy and data security laws of certain foreign countries.

The Company’s exposure to Canadian, European and other foreign countries’ privacy and data security laws impacts Mood’s ability to collect and use personal data, and increases its legal compliance costs and may expose the Company to liability. As such laws proliferate, there may be uncertainty regarding their application or interpretation, which consequently increases the Company’s potential liability. Even if a claim of non-compliance against the Company does not ultimately result in liability, investigating or responding to a claim may present a significant cost. Future legislation may also require changes in the Company’s data collection practices which may be expensive to implement.

Litigation Risks

The Company is currently defending itself against a number of legal claims. While the Company believes these claims to be without merit, and is vigorously defending itself, it cannot guarantee that it will be successful or that it will reach commercially reasonable settlement terms. A negative judgment or the costs of a protracted defense could materially and adversely affect the Company’s earnings.